SOCIO - ECONOMIC FORECASTS
1987 - 1992
CITY OF EDMONTON

Prepared by:
City Forecast Committee
June 18, 1987

THE CITY OF Edmonton

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NOTE

SIGNIFICANT CHANGES FROM THE FEBRUARY 24, 1987 REPORT

1. Oil Price Assumptions

The oil price forecast has been revised, with slightly lower prices to 1991 and the same price for 1992. The revision reflects OPEC's strategy of increasing production quotas among its members, while holding oil prices relatively steady or increasing them slowly. The effect of this strategy would be to reduce price increases over the next two or three years, with higher prices later in the forecast period.

The revised oil price assumption is not sufficient to change the Alberta economic growth forecast. An economic recovery is expected in 1988 with growth of 3% and the recovery continues as oil prices gradually increase.

2. American Economy

The description of economic events has been updated to include the first quarter of 1987. However, there have been no changes to the economic forecast.

3. Canadian Economy

The description of the Canadian economy has been revised because of its unexpectedly strong performance in the first quarter of 1987. As a result, the forecast of Canadian economic growth has been revised upwards to 3.0% from 2.5% for 1987.

4. Alberta Economy - Oil and Gas Outlook

The discussion of the energy industry in Alberta has been revised because two recent announcements provide more optimism for the conventional oil industry. First, the Canadian Exploration and Development Incentive Program is expected to stimulate additional drilling activity in late 1987 and throughout 1988. Second, the impending purchase of Dome Petroleum could allow numerous projects in Alberta to proceed which have been delayed by Dome's financial problems.

5. Alberta Economy - Consumer Spending and Government Spending

This section has been revised to take account of the 1987-1988 Provincial Budget. Consumption will not grow as rapidly as anticipated in 1987 because of the higher provincial taxes, while Provincial Government spending has been reduced because of the large deficit.

6. Edmonton Economy - Government Sector

This section has been revised to identify the impacts on the City of Edmonton of the Provincial Budget.

7. Table 1 - Selected Economic Forecasts

The Edmonton inflation rate for 1987 has been increased to account for the effect of provincial tax increases.

The Edmonton apartment vacancy rate has been increased for 1987, 1988 and 1989 because of the higher vacancy rate for April 1987. The demand for rental accommodation appears slightly weaker than previously forecast.

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EXECUTIVE SUMMARY

Purpose

The purpose of this report is to analyze trends and provide forecasts for selected socio-economic indicators which will be incorporated by the Corporate Budget Office in the 1988 Budget Manual.

Assumptions Affecting the Forecasts

Assumptions have been made for the following external factors which are considered to have the most impact on the Alberta and Edmonton economies:

1) World Oil Prices

The spot oil prices for West Texas Intermediate will average $19 US/barrel in 1987 and will increase to $28 US/barrel in 1992. This price scenario is based on the assumption that members of the Organization of Petroleum Exporting Countries (OPEC) will observe closely the agreement reached in December 1986 on total production and allocation of production among its members. In addition, the June meeting of OPEC is expected to allow large quota for various members, resulting in a more modest oil price increase than previously expected. World oil prices will average $20 US/barrel in 1988, rising to $23 US in 1990 and $28 US by 1992.

2) United States Economy

The American economy will experience moderate growth of 2% in 1987 and 3.0% to 3.5% per year over 1988 to 1992. The U.S. prime rate will fluctuate in a band of 7% to 8% as efforts continue to reduce the federal deficit and keep the American dollar down relative to foreign currencies.

3) Interest Rates

The Canadian prime rate will average 9.5% in 1987 and decline slowly to 8.5% by 1992. Interest rates will remain higher than in the United States in an effort to maintain the value of the Canadian dollar relative to the American dollar.

4) Canadian/American Exchange Rate

The Canadian dollar will move in a band of 73 to 76 cents US over the forecast period. Periodic changes outside this band may occur if speculative pressures develop.

The most important factor affecting Alberta for 1987 and 1988 is world energy prices. Oil prices fell from $28 US per barrel in December 1985 to approximately $12 US in April 1986 and have recovered to over $19US in June 1987. The trend of reduced supply and increased demand is expected to continue, providing OPEC with an opportunity to move towards their longer term objective of higher revenues. OPEC is expected to follow a strategy of gradually increasing production, while holding prices steady or increasing them by a modest amount. This relative price stability should help to encourage increased oil investment in Alberta in the second half of 1987.

Forecast Overview

Following a deep recession during 1982 and 1983, the Alberta economy experienced a recovery during 1984 and 1985 before it slipped back to recession in 1986 due to the fall in oil prices, even though other sectors of the economy had positive growth. In light of the gradual recovery in world oil prices during 1987-1992, the economy is expected to have a slow growth of 1.0% in 1987, rising to 3% to 4% in the 1988-92 period.

This forecast is based on oil prices which average $19 US/barrel in 1987 and gradually rise to $28 US/barrel in 1992.

The following sections provide details of the forecasts:

1) Economic Forecasts

The Canadian economy will grow 3% per year over 1987 to 1992. Inflation will vary within a range of 4.0% to 5.0% throughout the forecast period. Unemployment will remain high, 9.6% in 1987 and 8.5% by 1992.

Weakness in energy investment will combine to keep Alberta's growth to only 1.0% in 1987. A gradual firming in oil prices will increase investment and this will lead to moderate growth of 3.0% in 1988. The Alberta economy will improve as real oil price increases occur later in the decade, expanding at 4.0% in 1991 and 3.0% in 1992. Unemployment will remain high in this environment.

Edmonton will follow the Alberta economy with slow growth in 1987 and moderate growth in 1988 and 1989. Inflation will remain relatively low at 3.5% in 1987 and rise to 4.3% in 1992. Wages will grow, in real terms, at about 0.5% per year. Unemployment will remain high at 12.0% in 1987 and decline gradually to 10.5% by 1992.

2) Population Forecasts

Population growth in Edmonton is expected to be modest, at a rate of approximately 1.15% per year, increasing the population from an estimated 576,000 persons in 1987 to 612,000 persons by 1992.

Population change within the City will result in the inner city continuing to lose people to the suburban areas.

3) Development Activity Forecasts

Building permit values are expected to reach $550 million in 1987 and $580 million in 1988. Over 1988 to 1991, permit values are expected to increase at approximately 7% per year, reaching $830 million by 1992; however, these totals could be influenced by the timing of several major projects.

Total City housing starts in 1987 will remain low at 2,200 units. Population growth, lower apartment vacancy rates and lower interest rates will combine to raise starts to 2,400 units in 1988 and to 3,700 units in 1992.

Residential servicing in 1987 will reach 1,175 single family lots, a decline from the 1,269 lots serviced in 1986. Servicing will increase to 1,550 lots in 1988 and to 3,900 in 1992 in response to the increase in housing starts. No significant servicing of multi-family lots is anticipated because of an ample supply.

Industrial servicing activity will remain low for the forecast period, with 4 ha serviced in 1987 and 5 ha per year serviced over 1988 to 1992. Absorption will be 15 ha in 1987 and 20 ha per year for the period 1988-1992. The supply of serviced industrial land is large enough to handle any significant increase in absorption.

Servicing of commercial land along the major highway corridors will be 12 ha in 1987 and average 15 ha per year over 1988 to 1992.

4) Social Forecasts

Single parent family formations will increase at a more rapid rate than total family formations. By 1992, approximately 16.5% of Edmonton families are expected to be single parent compared to 12.9% in 1981.

The divorce rate will continue to decline to 3.29 per 1,000 persons in 1988 and then gradually rise as in-migration occurs and possible divorce law changes are made.

The following table provides a summary of the selected economic forecasts.

SELECTED ECONOMIC FORECASTS, 1987-1992

	ACTUAL[1]		FORECAST [2]					
	1985	1986	1987	1988	1989	1990	1991	1992
NATIONAL AND ALBERTA								
Economic Growth Rate (%)								
Alberta (GDP)	4.8	-1.0 (e)	1.0	3.03.0	3.5	4.0	3.0	
Canada (GDP)	3.9	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Prime Lending Rate (%)	10.7	10.5	9.5	9.5	9.25	9.0	8.75	8.5
Industrial Selling Prices								
(Canada)	2.7	0.9	4.3	4.2	4.1	4.2	4.4	4.9
Alberta Net Migration (000)	-8.4	-17.9	-4.0	3.0	8.0	10.0	15.0	15.0
EDMONTON								
Population(000)	568 (e)	572	576	582	588	596	604	612
Unemployment Rate (%)	12.2	11.5	12.0	11.7	11.4	11.1	10.8	10.5
Inflation Rate (%)								
Consumer Prices	3.2	3.3	3.5	3.7	3.8	3.8	3.9	4.3
Average Weekly Earnings ($)	425	428	447	465	484	504	525	551
Vacancy Rate (%)								
Apartment (Oct.)	4.4	4.1	4.8	4.0	3.5	3.0	3.0	3.0
Downtown Office (Dec.)	20.8	18.5	16.4	18.4	16.3	14.3	12.3	10.3
Housing Starts (Units)	1,970	1,910	2,200	2,400	2,800	3,000	3,400	3,700
Building Permits								
(Current $ Millions)	481	534	550	580	670	750	800	830

SOURCES:

1 Statistics Canada, Alberta Bureau of Statistics, Bank of Canada, Canada Mortgage and Housing Corporation, Colliers Macaulay Nicolls Inc., and Edmonton Planning and Building Department

2 City Forecast Committee, June, 1987

(e) Estimate

I INTRODUCTION

The purpose of this report is to analyze trends and provide forecasts for selected socio-economic indicators which will be incorporated by the Corporate Budget Office in the 1988 Budget Manual. The socio-economic forecasts will then be considered by the individual City departments to analyze their expected service requirements for preparing their budget forecast.

II ECONOMIC FORECASTS

1 Overview

The economic outlook for the City of Edmonton over the short and medium terms will ultimately depend on prospects for the Alberta economy. Provincial economic activity, as measured by the value of total production (Gross Domestic Product), is broken down into four major categories: consumer expenditure, government expenditure, investment and net exports. During 1985, consumer expenditure within the province represented approximately 62.5% of Gross Domestic Product (GDP) in 1971 dollar terms. Moreover, both investment and exports are also an important part of the provincial economy, representing approximately 30.9% and 27.2% respectively, of GDP (See Figure 1).

In terms of industrial structure, the service sector represents approximately 58% of provincial GDP while the mining industry accounts for 27%. Although the service industry is an important part of the provincial economy, service sector activity is influenced a great deal by oil and gas investment.

Over the past decade, Alberta experienced a boom in its oil and gas industry, culminating in a peak real growth rate of 10.5% in 1979. In 1981, however, oil and gas exploration and production started to slow down due to the National Energy Program and a worldwide recession. Investment was cut dramatically and the slowdown in the oil and gas industry spread throughout the economy, resulting in a 4.6% and 2.7% real decline during 1982 and 1983.

Economic conditions in Alberta started to improve in 1984 with a 1.7% increase in real GDP, followed by a strong growth of 4.8% in 1985. During 1986, the provincial economic activity declined after the oil prices dropped substantially in the early part of the year. The outlook for the future will hinge on energy market conditions in both the Canadian and American economies, on the direction of world commodity prices, and on the impact of diversification of the Alberta economy.

With a view toward producing an economic forecast for the City of Edmonton, this report will adopt several key economic assumptions. As a starting point, the direction of world oil prices will be addressed. Second, the economic outlook for both the U.S. and Canadian economies will be investigated. Following this, the prospects for both the Alberta and Edmonton economies will be examined.

Figure 1

Alberta Gross Domestic Product
1985 Percentage Breakdown

	Percent
Sales to Persons	62.5
Sales to Government	18.1
Gross Capital Formation	30.9
Exports	27.2
Imports	-42.4
Residual	3.7
	100.0

2 World Oil Prices

The precipitous decline in world oil prices in 1986 will long be remembered as one of that year's major economic "events". By inducing world oil prices to tumble from a 1985 average of $29 US per barrel to $15 US per barrel for 1986, the Organization of Petroleum Exporting Countries (OPEC) once again gained the attention of the world.

As 1986 came to a close, however, there were reasons for optimism in the world crude oil market. Not only did OPEC abide by two previous agreements to maintain production levels, in December they agreed to a further production cut of 7.6%, while targeting oil prices of $18 US per barrel at the point of loading. Additional optimism was felt in January 1987 as some non-OPEC nations such as Russia and Norway agreed to follow suit.

Early indications have been positive with spot prices staying over $19 US per barrel for West-Texas Intermediate (WTI) spot sales in April, May and June. On the supply side, OPEC members have been observing their quotas, while some (e.g., Saudi Arabia) are even producing below their quota levels. Moreover, there has been a noticeable reduction in non-OPEC supply in response to the lower oil prices. For example, U.S. domestic production alone declined 300 MBD from October 1985 to October 1986.

On the demand side, European and U.S. refiners are seeking cheaper spot oil in response to higher demand created by an unseasonably colder winter and a lagged demand response to lower oil prices. Moderate demand from both the U.S. and Europe is expected throughout the year.

In general terms, the trend of reduced supply and increased demand is expected to prevail, resulting in a yearly average price of $19 US per barrel for WTI spot oil. This underlying strength in the world oil markets has afforded OPEC two options in meeting their longer term objective of higher revenues. First, the obvious option would be to maintain their existing production and continue to raise prices. However, this option also makes alternative (non-OPEC) higher costs reserves more attractive, resulting in the displacement of OPEC production. Second, OPEC could increase their production levels while holding prices steady or allowing them to rise at a slower pace. From OPEC's position this strategy has two important benefits: it allows OPEC to deal with objections to the existing quota system by allocating additional production to unsatisfied members, and, by elevating prices more slowly, alternative reserves are discouraged from displacing OPEC production.

Some OPEC members, in preparing for their June 1987 meeting, have openly stated a preference to building up their quotas rather than the price of oil. Based on such statements and the merit of such a strategy, this strategy is more likely. As a result, world oil prices are expected to rise in a more modest fashion, in the earlier years of the forecast, than was previously expected. In 1988 oil prices are now expected to average $20 US, rising to $23 US by 1990 and $28 US by 1992.

3 The American Economy

The U.S. economy posted a healthy annual growth rate of 4.4% in the first quarter of 1987 as a result of strong auto production and an improved trade balance. However, the rate of increase is likely unsustainable because it resulted from a build-up in business inventories when consumption was declining. As well, there is concern that the economy will deteriorate due to rising interest rates caused by the excessive depreciation of the U.S. dollar, especially against the Japanese yen. Under such conditions, real growth in 1987 is unlikely to exceed 2.5%.

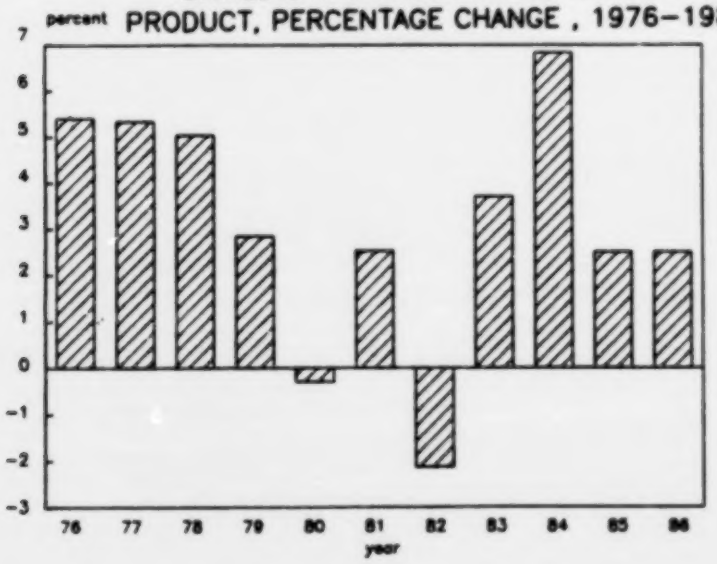
In the post-1987 years, however, the anticipated reduction in the Federal government and trade deficits, lower real interest rates, and stable American dollar will have a favourable impact on the U.S. economy.

The President's budget is aimed at reducing the deficit from $220 billion in 1986 to $108 billion in 1988. Although this aim may be quite optimistic, any significant drop in the deficit will result in lower demand for the American dollar and declining trade deficit will have positive implications for trade and trade policies (i.e., less protectionism). Tax reforms to curb the budget deficit will, however, initially hurt investors, but benefit both consumption and investment in the long run.

In view of the above, it is estimated that after a mediocre performance in 1987, the U.S. economy will pick up the momentum by 1988, averaging over 3% annually between 1988 and 1992.

FIGURE 2

UNITED STATES REAL GROSS NATIONAL PRODUCT, PERCENTAGE CHANGE, 1976–1986



4 The Canadian Economy

The Canadian economy performed strongly in the first quarter of 1987, with growth at an annual rate of 6.8% This surprisingly high figure (growth in 1986 was 3.1%) occurred because of strength in both the goods and services industries. The high level of housing starts and resale market activities in central Canada played an important role in the growth. However, due to the anticipated slowdown in production and demand in the second half of the current year, the economy is expected to grow by just over 3 per cent for the year.

During the forecast period 1988 to 1992, there can be no doubt that the direction of fiscal and monetary policies, and bilateral trade agreement with the U.S. will largely determine the economic course in Canada.

The recent taxation reform in the U.S. as already motivated the Finance Minister to put in place a similar tax package in Canada in 1988. Such a package is likely to discourage capital flight to the U.S. (where taxes will be relatively lower) and provide more monies in the hands of consumers which will eventually stimulate consumption and investment levels.

Such developments in the fiscal area will encourage growth and further reduce the federal deficit. This factor, combined with the stable U.S. dollar mainly due to the expected improvement in the U.S. trade balance, will drastically curtail the danger of protectionism in the future. Canadian performance should improve too, because a relatively stronger dollar not only impacts favourable on the price of imports, but also forces exporters to be more efficient and competitive. Moreover, a moderate strengthening in commodity prices should also make key contributions towards improving Canada's terms of trade in the forecast period.

In the monetary area, the fear of rising inflation due to the more than desired devaluation of the Canadian dollar especially against the U.S. counterpart prompts the Bank of Canada to follow the stiff U.S. monetary policies. As a result, when the U.S. short term interest rates rise, Canada is seldom in a position not to follow their lead.

In the longer term, however, the slowly appreciating Canadian dollar against the U.S. currency and easing of relatively tight American monetary policies should contribute substantially to lowering interest rates in Canada. The prime lending rate is expected to be as low as 8.5% by 1992. This optimism assumes that the annual rate of inflation as measured by the Consumer Price Index does not exceed the 4% to 5% range in both countries in the forecast period.

In sum, the above developments will enhance economic growth and reduce unemployment to the level of 8.5% by 1992. The annual growth between 1988 and 1992 is estimated to average 3%.

FIGURE 3
CANADIAN GROSS NATIONAL PRODUCT
PERCENTAGE CHANGE, 1976–86

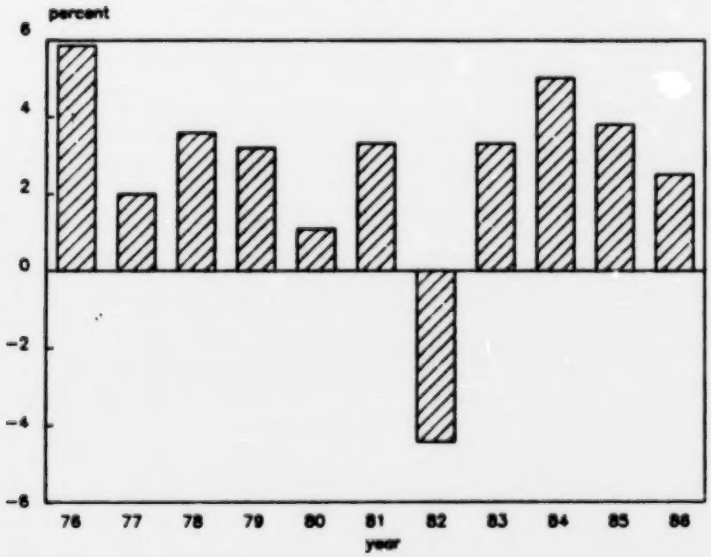


FIGURE 4
CANADIAN / U.S. EXCHANGE RATE, 1976–86

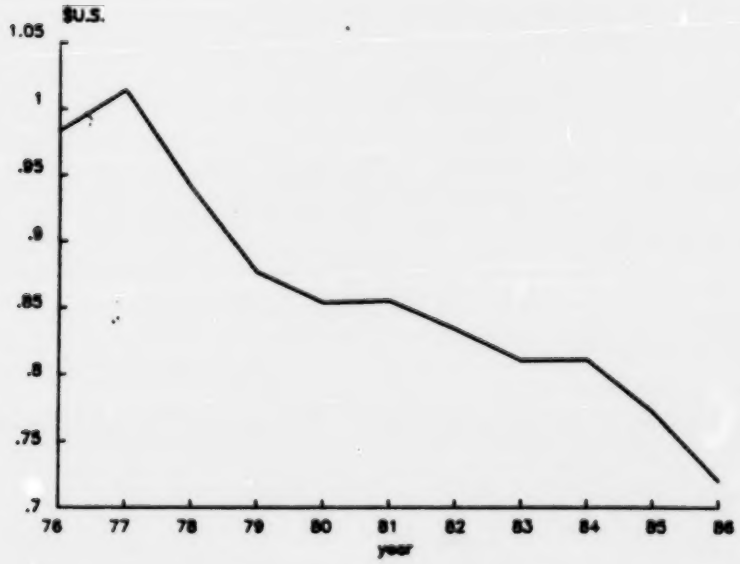


FIGURE 5
PRIME INTEREST RATES, CANADA & US, 1976–86

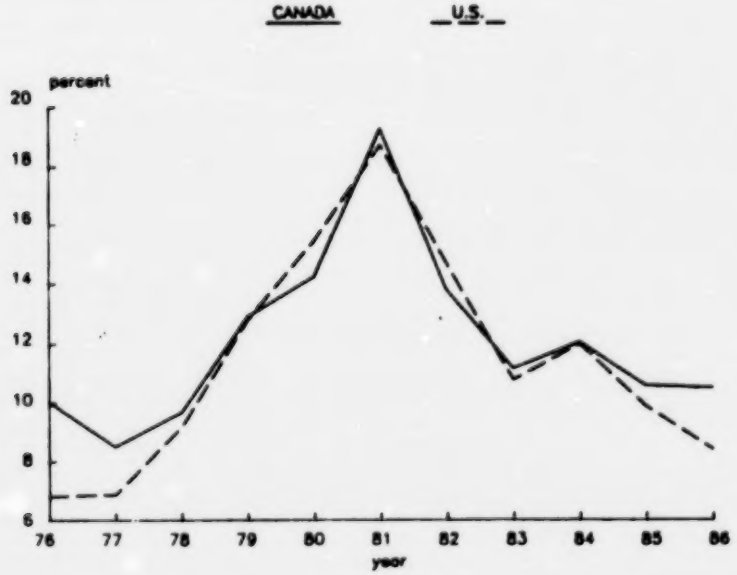
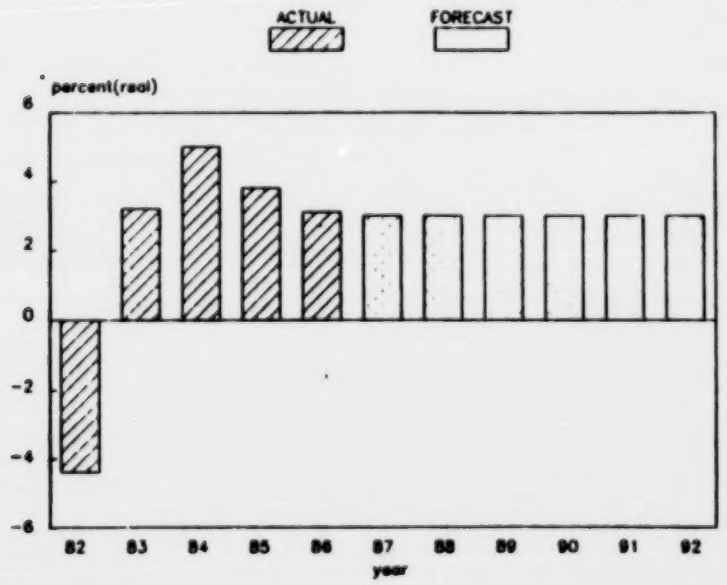


FIGURE 6
CANADA GROSS NATIONAL PRODUCT GROWTH, 1982–92



5 The Alberta Economy

Key External Issues

Much of the economic activity within Alberta is a result of external influences over which Albertans have little or no control. In addition to those national and international factors, such as interest rates, inflation and exchange rates, which are common to any regional economy, Alberta is particularly sensitive to the world price of oil, now that the industry is deregulated.

For example, the precipitous fall in oil prices from an average $29 US per barrel to $15 US per barrel in 1986 reduced the oil industry's gross revenue by approximately $7.3 billion. Regulation of the natural gas industry held up gas prices until November 1986 at which time an equally devastating fate awaited gas producers. One of the major casualties of this downturn has been the Government of Alberta: it is expected to lose an estimated $2.3 billion in non-renewable resource revenue resulting in an estimated $3 billion deficit.

Another commodity price which has had a dire effect on Alberta's prosperity has been that of grain. In 1986 wheat and barley prices, which had been declining since 1981-82, saw a further reduction of 19% and 27%, respectively. These declines were due to the world grain glut and the U.S. Farm Bill which subsidizes the sale of U.S. grains. Even after the Federal Government's $1 billion Special Canadian Grain Program and the Western Grain Stabilization Program net farm income in Alberta will fall in 1987.

Oil and Gas Outlook

In 1986 the petroleum industry started strongly. However, the precipitous price decline which occurred in the first quarter of 1986 ground the industry to a halt by April as most companies introduced retrenchment programs to reduce costs. Partial relief was provided to the industry through the Federal Government's early elimination of the PGRT and the Provincial Government's adjustment of royalties and incentives. With these programs in place and an increasing world oil price, industry activity once again began to rejuvenate.

Year-end estimates indicate for 1986:

- crude oil production fell 0.8% to 74,938 MCM (1,292 MBD)
- natural gas production fell 4.9% to 77 BCM (2.7 TCF)
- natural gas by-products production fell 7.3% to 18,743 MCM

- land sales and bonuses dropped to $250 million from over $1 billion in 1985.

Oil prices are expected to average $19 US per barrel in 1987 and then strengthen, rising to $20 US in 1988 and to $28 US in 1992. However, in 1986 dollars, oil prices are expected to stay below $21.50 US per barrel for the whole forecast period. The basis for this price scenario is that OPEC will follow a pricing strategy which lets its members enjoy higher production quotas rather than large price increases.

World Oil Prices
(US$/barrel for West-Texas Intermediate at Chicago)

	(In Nominal Dollars)	(In 1986 Dollars)
1986 (Actual)	$15	$15.0
1987	19	18.0
1988	20	18.5
1989	21	19.0
1990	23	20.0
1991	25	20.5
1992	28	21.5

Under the new fiscal regime and higher oil price, conventional activity is expected to continue at the same level as in 1986. Nonetheless, it is quite possible that until prices reach the mid-20's, there may be a shift in exploration activity away from the expensive frontier fields towards the lower cost Western sedimentary basin. Such a shift would result in higher growth levels in conventional activity in Alberta.

Two recent announcements have provided additional optimism regarding conventional activity levels. First, the Federal government announced earlier this spring the Canadian Exploration and Development Incentive Program (CEDIP), which provides grants of up to $3.3 million per year per operator to an industry total of $350 million per year. This program is expected to induce an additional $500 to $700 million of activity in 1987 which would not have existed otherwise. In addition, the program has no fixed termination date so that at least the same impact (if not greater) can be expected in subsequent years.

Second, optimism rose when Amoco Canada announced its intentions to purchase debt-ridden Dome Petroleum. The optimism was based on the hope that a financially sound company will acquire Dome's land holdings whether this occurs through a successful purchase or through a liquidation

process. If Dome's assets are acquired, then dozens of joint exploration and development ventures throughout the province, which were held up because of Dome's financial problems, will now be in a position to proceed. Likewise, a financially sound company(ies) will be in a position to open new lands to the exploration process, something Dome was less and less willing to do. Since the purchase or liquidation of Dome is not expected to occur rapidly, no significant effects on activity levels are expected until the 1988 winter drilling season.

Most crude bitumen projects are expected to continue as scheduled. Recent announcements have indicated that current oil prices should be sufficient for continued interest in such projects. Syncrude's CAP project should proceed as scheduled with the Provincial Government agreeing to a $200 million loan guarantee. Investment by Li Ka-Shing in Husky Oil provides renewed optimism for the Husky upgrader.

Some short-term uncertainty still exists in the natural gas industry. In the export market, prices are expected to fall as the US gas surplus continues to encourage price competition. Whether increased export volumes can offset this price decline will depend on exporter's ability to gain open access to U.S. pipelines. In the domestic market prices have been secured by the 1986 agreement between Western Gas Marketing, Alberta producers and eastern Canadian distributors. However, critical decisions are still forthcoming on such issues as the surplus test, the validity of gas brokerage sellers in Eastern Canada, the pricing of residential gas in Ontario and Manitoba, and Alberta's response to these issues. Price movements away from the status quo are still very much possible in either direction.

Towards the end of the decade, it is expected that the U.S. gas surplus will be very marginal if not nonexistent. Canadian gas supplies will then become a very important residual supplier to the U.S. markets and will receive a premium. Likewise, higher gas prices are expected in the domestic markets in response to higher demand levels.

In summary, the oil and gas industry is beginning to revitalize as oil prices strengthen under a favourable fiscal regime. Steady growth will characterize the industry throughout the remainder of the forecast.

Economic Outlook

Overall Outlook

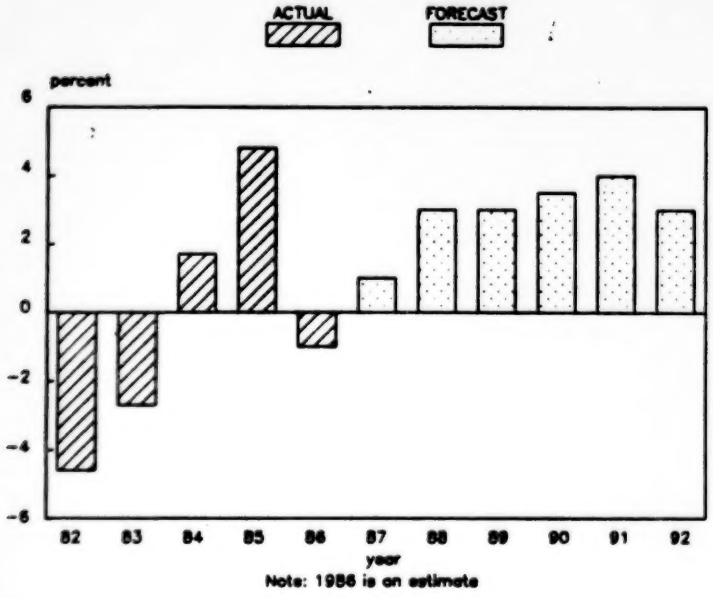
From a review of key influences on the Alberta economy and a number of current forecasts, the following was judged to be a reasonable forecast of real Gross Domestic Product for Alberta (See Table 1 and Figure 7):

	Alberta Real GDP Increase
1986	-1.0%
1987	1.0%
1988	3.0%
1989	3.0%
1990	3.5%
1991	4.0%
1992	3.0%

Growth in Alberta was negative in 1986 mainly due to declines in the oil and gas industry and the agricultural sector. These declines were offset partially by the strong growth in other sectors such as retail sales and the construction industry.

Improvements in oil prices, industrial and construction activity and moderate consumer spending will offset the effects of government cutbacks to provide a modest GDP growth of 1.0% in 1987. Increased activity from all sectors of the economy is expected in 1988 and beyond, supporting growth rates between 3-4.0%.

FIGURE 7
ALBERTA GROSS DOMESTIC PRODUCT GROWTH
1982 – 1992



Note: 1986 is an estimate

Inflation (Consumer Price Index)

In the long term Alberta's inflation tends to follow national wage and price trends. For purposes of this forecast Alberta's inflation is assumed to be 4-5% as per the Canadian average.

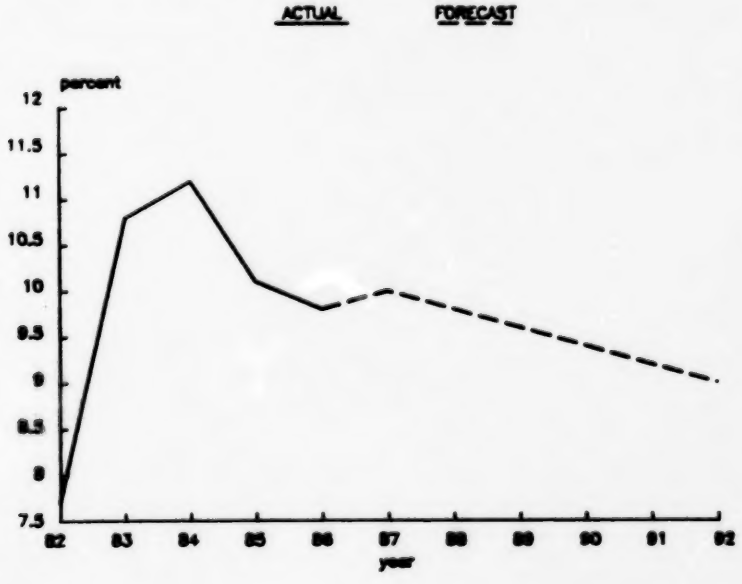
Unemployment

The combined effects of positive net migrations, increased participation rates and moderate economic expansion will keep unemployment rates in Alberta above 9% throughout 1987-1992. (See Figure 8). The consensus forecast based on a review of a number of forecasts is that the following is a reasonable unemployment rate projection:

Alberta
Unemployment Rate

1986 (actual)	9.8%
1987	10.0
1988	9.8
1989	9.6
1990	9.4
1991	9.2
1992	9.0

FIGURE 8
ALBERTA UNEMPLOYMENT RATE, 1982–1992



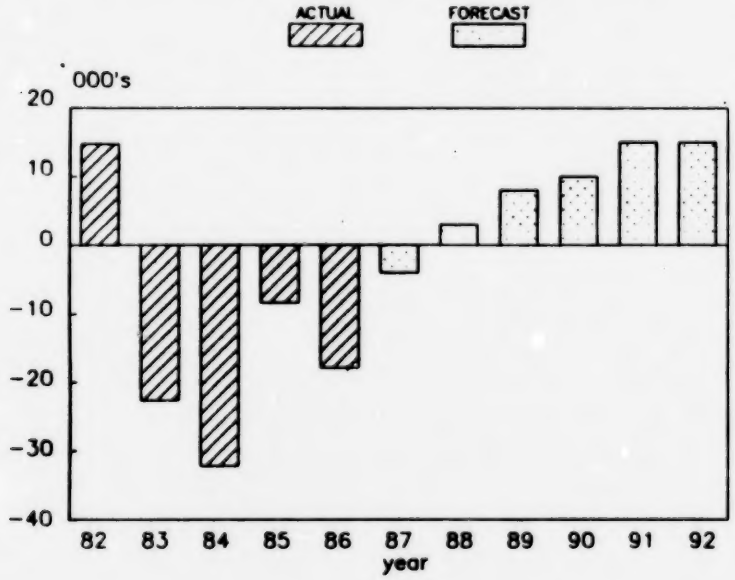
Migration

The factors that determine inter-provincial migration are job opportunities and relative wages. Recent estimates indicate that in 1986 there was a net out-migration of about 18,000 people. Further out-migration is expected to occur in 1987 as the result of slow economic growth and layoffs in the public sector and the oil industry. Thereafter, as a result of the economic recovery and new job creation, there will be a return to modest net in-migration as shown below:

Alberta
Net Migration

1986	-17,900 (actual)
1987	-4,000
1988	3,000
1989	8,000
1990	10,000
1991	15,000
1992	15,000

FIGURE 9
ALBERTA NET MIGRATION, 1982–1992



Consumer Spending

Despite the reduced level of economic activity and the increased risk of unemployment, nominal consumer spending grew at an estimated 5.4% in 1986. Consumer expenditures are expected to grow at a slower pace in 1987 with the impact of lower oil prices continuing to filter through the economy and disposable income declining as a result of the tax increases introduced in this Spring's Provincial budget. However, as interest rates decline and economic activity returns, consumer expenditures will grow accordingly.

Government Spending

During past years non-renewable resource revenue has been a rising source of government revenue and hence, has facilitated healthy rates of government spending. However, with the decline of such revenue the provincial government found itself with a $3.3 billion budget deficit. The provincial government undertook in its spring budget to begin a process of eliminating the deficit by 1990 or 1991. This included a strategy of raising revenue 19.3% through tax and fee increases of an estimated $1 billion and simultaneously reducing expenditures by 2%. These measures are expected to remain in place until non-renewable resource revenue regains some strength.

Investment

Commercial investment, along with residential and institutional construction, showed some resilience as construction values rose 8% in 1986. This growth will slow down during 1987 primarily as the government spending restraint reduces institutional construction and road building. Residential construction is expected to improve gradually as the existing vacant stock is depleted and interest rates continue to decline.

Commercial construction is expected to maintain a strong presence in 1987 as construction proceeds on such projects as office and retail space, LRT projects and renovation projects.

For the first half of 1987, it is expected that oil and gas investment will remain constant as most producers attempt to increase their cash-flow by reducing their overall capital expenditure budgets and concentrating committed budgets to development activity. Greater financial strength created by higher oil prices, the provincial royalty reduction program and the federal CEDIP program should encourage higher activity levels in the second half of the year. Some additional

strength may arise as US and Canadian producers respond to lower prices by shifting their budgets away from the costly frontier to the less expensive Western sedimentary basin. Investment should continue to improve in 1988 and beyond as oil prices increase.

The following are some specific major projects which are expected to proceed:

- Esso Cold Lake Heavy Oil project, phases 7-10, 1987-1989
- Dome Primrose Lake Heavy Oil project Phase 1, 1987-1990
- BP Wolf Lake Heavy Oil project, Phase 2, 1987-1988
- Syncrude expansion project, 1983-1988, 50% complete

Exports and Imports

Most of Alberta's exports are agricultural and resource-based including oil, gas, petrochemicals, lumber, grain and livestock. Since most exports outside of Canada are destined for the United States, the expected appreciation in the Canadian dollar will reduce their competitiveness. Oil exports are expected to increase in 1987 as the expansion to the oil pipeline system is completed. Gas export revenues however, may decline significantly as a result of recent ruling by the U.S. Federal Energy Regulatory Commission which would discriminate against the transportation of Canadian gas and require gas exporters to absorb higher costs of transporting gas to the U.S.

The Canadian and Alberta forestry industry is expected to experience a mini-boom over the next few years, notwithstanding the 15% export duty. Towards the end of the decade, freer trade will allow some expansion of exports. Prices are expected to strengthen at this time as well. This combination should provide for strong increases in export revenues towards the end of the forecast period.

Other exports such as processed food, plastic products and manufactured goods are expected to grow significantly over the next five years, but are not expected to make a major contribution to the economy until the mid to late 1990s. Imports are expected to grow in accordance with historical trends and consumer demand. Major reductions in imports by substitution of Alberta goods are not expected until the 1990s.

Tourism

One sector which should be highlighted for its excellent growth potential is that of tourism. In 1986 real tourism receipts grew by an estimated 3-4%. Such factors as West Edmonton Mall and the 1988 Winter Olympics, the 5 year (1985-1990) $56 million federal-provincial agreement on tourism, increased private expenditures to promote Alberta and an aging (more leisure orientated) population should allow for continued growth of this magnitude through and beyond the forecast horizon.

6 Edmonton Economy

Alberta Economic Impacts on Edmonton

Two important features describe Edmonton within the Alberta economy: i) Edmonton is a service, distribution and administration centre; and ii) Edmonton is Alberta's manufacturing centre, with a mainly energy-related focus. As well, the level of energy investment in Alberta significantly affects employment in Edmonton. Each of those elements is discussed briefly below as an introduction to an assessment of prospects in the key areas of the Edmonton economy.

i) Edmonton's Provincial Role

Edmonton is a regional service and distribution centre, with a northern resource development orientation and a significant public sector role. Illustrating these elements of Edmonton's role is the current pattern of employment distribution.

Industrial Division	1986 Edmonton Employment (estimate)	% Share
. community business and personal service	134,200	37.6%
. trade	66,000	18.5%
. transportation, communication/ utilities	34,300	9.6%
. public administration	33,200	9.3%
. manufacturing	30,700	8.6%

ii) Edmonton is Alberta's Energy Related Manufacturing Centre

The Edmonton area is the major focus of manufacturing activity in Alberta, accounting for over 47% of the total provincial manufacturing value added in 1983. The Edmonton area is the dominant provincial production centre for petroleum refining, primary metals, machinery, chemical products and metal fabricating. Edmonton also has an important concentration of production for food processing, clothing, printing and publishing.

iii) Impact of Energy Investment on Edmonton Employment

Employment in Edmonton, particularly in the services and trade sectors, is significantly influenced by energy investment. As an example, an analysis indicated that a $10 million (in 1984 dollar) investment in energy resources in Alberta would create approximately 168 new jobs in the Edmonton economy, assuming no other changes in the economy. (See the Edmonton Economic Base Analysis, Working Paper No. 3 for a description of the method to obtain the numbers). However, there is a significant lag between the energy investment and actual job creation in Edmonton. An average of only 79 jobs would be created in Edmonton in the first year of this investment, with the remaining 89 jobs occurring in future years. As well, most of the job creation in Edmonton would be indirect, with a total of 64 new jobs created in services and 33 jobs in trade; only 2 jobs would be created directly in the resource industry in Edmonton. This pattern of job creation response was confirmed by Edmonton's job creation performance during 1985. As energy investment increased in Alberta early in 1985 in response to the Western Accord and improved energy industry cash flows, unemployment in Edmonton declined from a relatively high level of 13.8% in April to 10.7% in December. However, when the world oil price dropped steeply in early 1986, energy investment declined and the unemployment rate rose continually to 12.6% in June before the rate dropped again as a result of labour force outflow to other provinces.

The following subsections elaborate on the prospects of other significant areas of the Edmonton economy in the context of these relationships and the forecasts for the Alberta economy.

Key Areas of Activity

i) Major Planned Projects

Preliminary estimates show that over $500 million worth of major construction projects could start in Edmonton in 1987 and beyond (See Table 2). Although not all the major projects may proceed, or have the actual investment occur in 1987, there are a number of local projects underway at present which will have a positive impact on construction employment levels in the city (e.g. Canada Place, ManuLife Phase II, Eaton's Centre and LRT extension).

At the provincial level, the Alberta Construction Association estimates 1987 construction volume will be approximately

$6.9 billion. Even though this is a provincial figure, Edmonton is expected to experience employment benefits from this activity, particularly from its supply and distribution role.

ii) Commercial Sector

In 1978 retail trade receipts for Edmonton were $3.2 billion and this increased each year to peak at $4.5 billion in 1981. As the recession gained momentum, retail trade receipts declined in 1982 and 1983. In 1985, the combination of a provincial economic recovery and additional retail facilities in Edmonton led to a rebound in Edmonton. Although detailed data for Edmonton is not yet available, Edmonton is expected to have shared in the continually strong retail sales increase experienced in Alberta in 1986.

Construction of Eaton's Centre and ManuLife Phase II will increase further competition and lead to announcements of further mall refurbishments and the possibility of other new projects in 1987 and beyond. Examples are the Edmonton Centre expansion, Downtown Bay store renovation, the new Bay Store at Kingsway Garden Mall and the Olympia and York project.

iii) Manufacturing Sector

In 1978, the value-added to manufactured goods in Edmonton was $611 million. This figure grew steadily and reached $1.8 billion in 1983. Data for post-1983 is still not available, but the value is expected to have increased continually.

Given the industrial structure of Edmonton, the recent growth would likely be concentrated in the energy-related areas of refining, primary metals, machinery chemicals and metal fabricating and, to a lesser extent, in food and beverage production, and printing and publishing. The Edmonton Economic Development Authority (EEDA) is identifying new initiatives to attract consumer products manufacture and distribution, footloose industries and value-added manufacturing for petroleum, petrochemical and other resource-based industries. Development of the high-tech industry such as General System Research, LSI Logic Corporation and Microelectronics Center in Edmonton is also being promoted by EEDA. Success in these areas would help to increase local value-added levels and manufacturing employment over the forecast period.

iv) Government Sector

Edmonton's economy has a significant public sector component. The City functions as a regional centre for the federal government, as the provincial capital and has a significant municipal government. There are also major educational and health care facilities in the City.

As a measure of the impact of the government expenditures on Edmonton in 1985, institutional activity accounted for $117 million of the building permit values or 24% of the total building permit values. However, the percentage declined to only 15% in 1986 and is expected to drop further in 1987 and 1988 as a result of the provincial government budget cuts to curb budget deficits.

The Provincial Budget of March 20, 1987 is estimated to have cost the City of Edmonton, through cuts in provincial grants and increased taxes/fees, a total of $3.1 million from the operating budget and $1.2 million from the capital budget. The breakdown is $1.8 million from the 3% cut in operating grants, $700,000 from the fuel tax, $500,000 from the grant cut for police and library and $75,000 for the health care premium increase. For 1988, the total cost is estimated at $3.7 million for the operating budget and $1.2 million for the capital budget.

In terms of direct employment, government is expected to show a decrease in 1987 and 1988. Minor increases may occur over 1989 to 1992 as the world oil price and provincial population continue to grow and economic growth remains positive.

v) Housing Sector

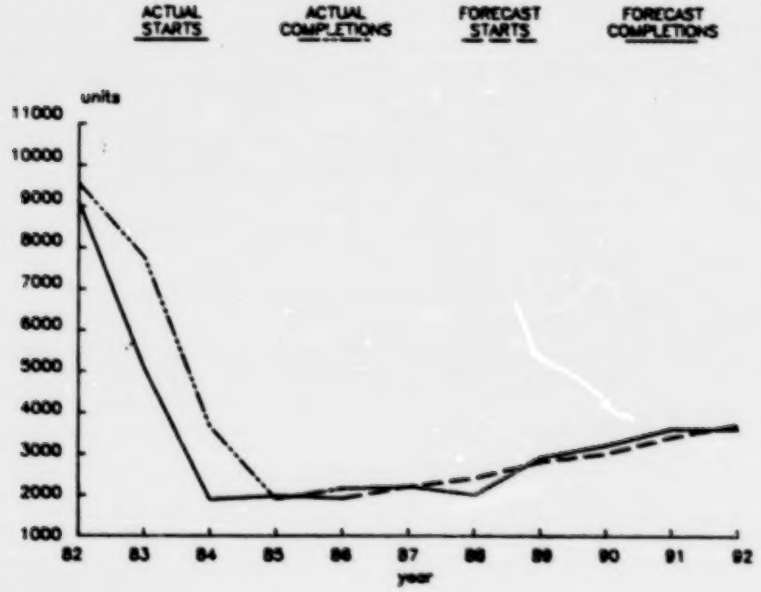
Over the period 1972 to 1981, housing starts showed considerable variation, with 1978 representing a peak of 14,800 units. With the onset of the economic recession, the City's population growth rate moderated and housing starts declined, reaching a record low in 1984 of 1,877 units. In 1985 and 1986, total starts were only slightly higher at 1,970 and 1,910 units.

For 1987 and 1988, housing starts are forecasted to be 2,200 and 2,400 units respectively. By 1992, housing starts are expected to grow to 3,700 units (see Table 1 and Figure 10). Section 4.4 provides the land development servicing forecasts associated with the housing starts.

Housing starts and completion in Edmonton have shown a relatively constant relationship. In periods when starts are rising (1974 to 1978), starts exceed completions because of the time required for building apartments. When starts are falling (1981 to 1984), completions exceed starts because of the finishing of construction of apartments started in previous years. For 1984 to 1986, when there were a few apartments started, starts and completions were in approximate balance.

The housing starts forecast for 1987 to 1992 anticipates few multiple family units (about 100 yearly in the earlier period rising to 300 to 500 yearly by the end of the forecast period). In those circumstances, completion of multiple family units would be expected to occur about one year after their start, implying completions should be about 95% of the level of the starts forecasts (see Figure 10).

FIGURE 10
EDMONTON HOUSING STARTS AND COMPLETIONS,82-92



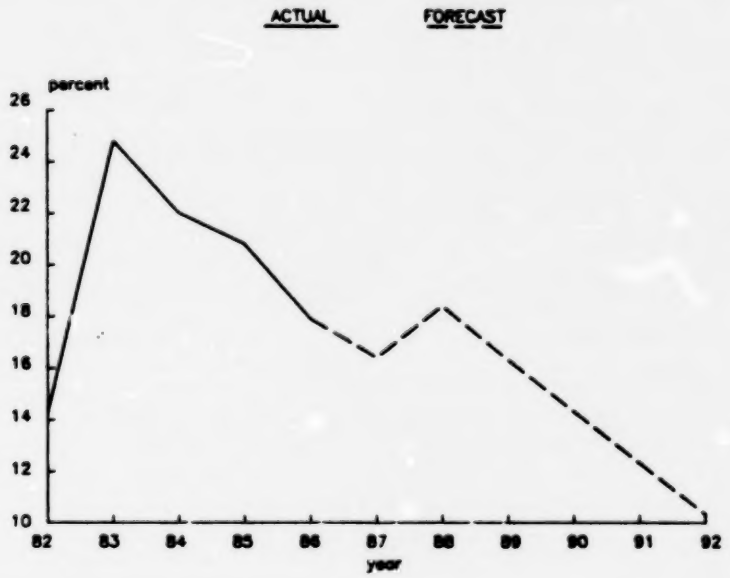
vi) Downtown Office Space

The total rentable office space in downtown Edmonton grew from 5.5 million sq. ft. in 1976 to 13.5 million sq. ft. in June, 1986. The absorption rate peaked at 1,040,000 sq. ft. during the boom

years, became negative in 1982, and then returned to positive growth over 1983 to 1985. During the first six months of 1986 net absorption totalled 412,613 sq. ft. Net absorption levels are expected to remain in the 200,000 - 300,000 sq. ft. range for next two years.

The office space vacancy rate was low during the boom years, but the rate remained above 20% in 1984 and 1985. As of June, 1986, the vacancy rate had dropped to 18.7% or 2.5 million sq. ft. The vacancy rate is forecast to decline further to 16.4%, in 1987, but rise to 18.4% by 1988 with the completion of Canada Place.

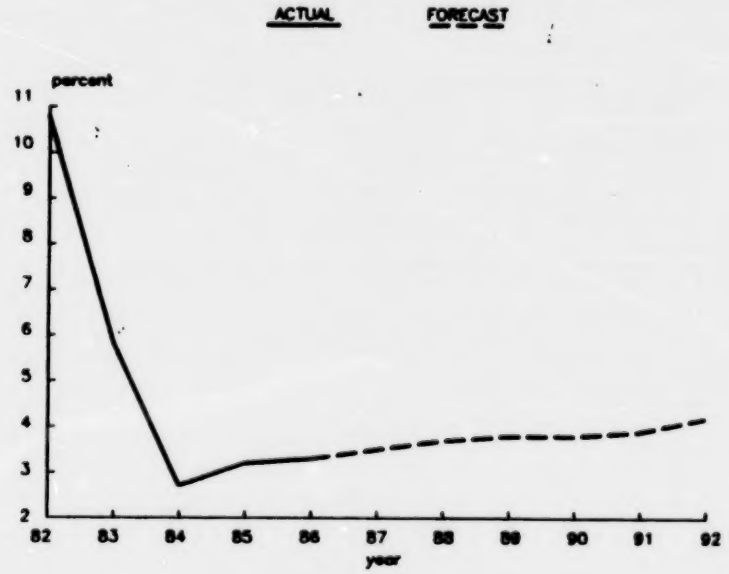
FIGURE 11
EDMONTON DOWNTOWN OFFICE VACANCY RATE,1982-92



vii) Prices and Wages

Edmonton's inflation rate, as measured by the Consumer Price Index (CPI), peaked at 12.5% in 1981 as a result of the high levels of economic activities during the period. The recession subsequently reduced the inflation rate and in 1986 inflation was only 3.3%. The low to moderate economic activity is expected to keep inflation at a relatively low rate over the period 1987 to 1992 (See Table 3 and Figure 12).

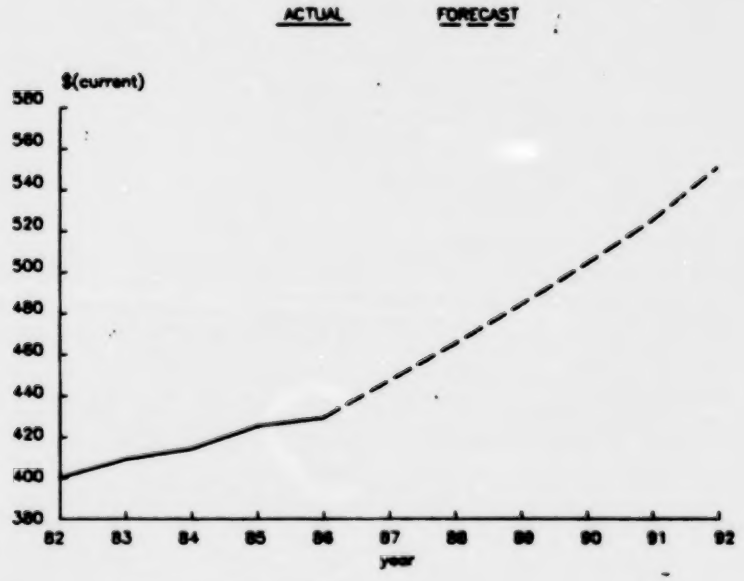
FIGURE 12
EDMONTON INFLATION RATE, 1982–92



Canada's industry selling price followed a similar trend to the CPI. The rate rose during the high growth periods and subsequently dropped to 2.7% in 1985 and to an estimated rate of 1.0% in 1986. The expected rate for the period 1987-1992 will be in the range of 4% - 5% (See Table 1).

Increases in the average weekly earnings for all industries in the Edmonton area peaked at 13.3% in 1981 in response to the higher labour demand and the inflation rate. However, the wage increase dropped sharply to 1.2% in 1984, 2.6% in 1985 and an estimated rate of 1.0% in 1986 as a result of the high unemployment rate and lower inflation. Wage increases are expected to rise faster than the inflation rate by about 0.5% per year over the next five years. The average weekly earnings is expected to rise from $429 in 1986 to about $551 in 1992, an average of 4.2% increase per year. (See Table 1 and Figure 13).

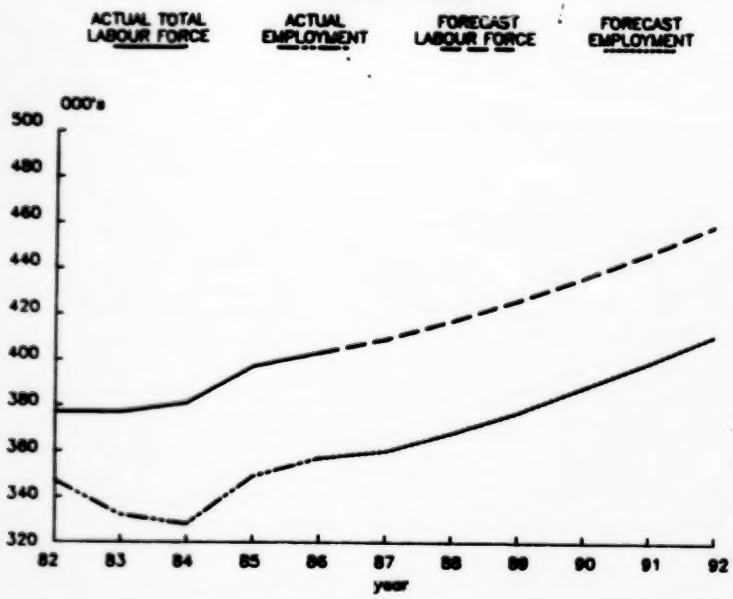
FIGURE 13
EDMONTON AVERAGE WEEKLY EARNINGS, 1982–1992



viii)Labour Market Conditions

The total labour force in the Edmonton area reached 403,000 in 1986. The rate of increase in the labour force has slowed down substantially to 1.7% per year over 1982-1986 as compared to 4.8% per year over 1975-1981. The labour force is expected to increase at 2.2% per year over the period of 1986-1991, reaching 459,000 in 1992 (See Table 4 and Figure 14).

FIGURE 14
EDMONTON LABOUR FORCE AND EMPLOYMENT
1982–1992



The labour force participation rate rose continually from 67.7% in 1977 to 73.9% in 1981 and then fluctuated between 71% and 73% over 1982-1986. With the expected moderate improvement in the labour market, the participation rate is forecasted to remain in the range of 72-73% over the next five years.

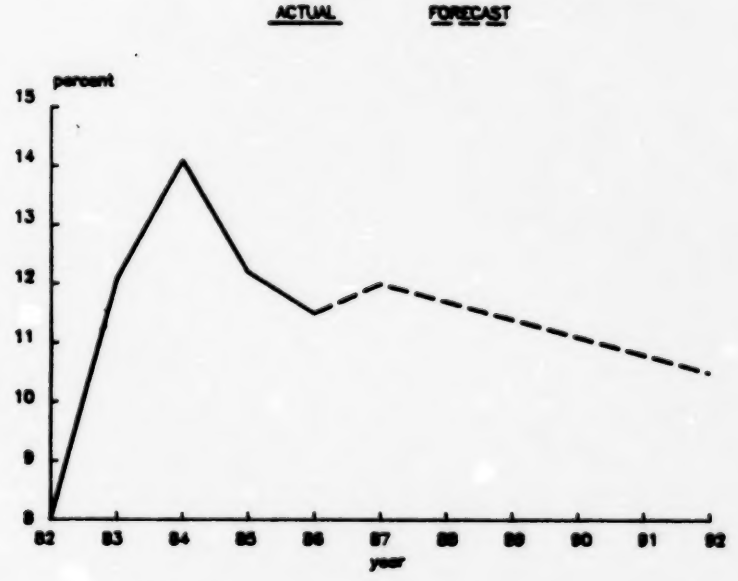
Total employment in the Edmonton area increased at the same rate as the total labour force over 1975-1981, resulting in a low unemployment rate. However, while the total labour force continued to rise over 1982 to 1984 because of the growing population in the working age years, employment started to drop in 1982 and bottomed out in 1984. Employment recovered to 349,000 in 1985 and to 357,000 in 1986. With economic activities expected to grow steadily, total employment is expected to increase at a faster rate over the next five years, rising from 357,000 in 1986 to 411,000 jobs in 1992 (an average rate of 2.4% per year).

Employment growth over 1986 to 1992 is expected to be concentrated in the five industry divisions consistent with the Edmonton area's service, distribution and administration functions:

Industry Division	Projected Edmonton Employment Increase 1986-1992	Share of Total Employment Increase
. community, business and personal service	23,700	43.8%
. trade	7,300	13.6%
. transportation communication/ utilities	5,600	10.4%
. public administration	4,800	8.8%
. manufacturing	1,900	3.6%

The unemployment rate in the Edmonton area stayed around 4% over the period 1975 to 1981. When economic activities slowed down in 1982, the Edmonton unemployment rate doubled and continued to rise over the subsequent years, peaking at 14.1% in 1984, before dropping to 12.2% in 1985 and to 11.5% in 1986. With the moderate improvement in the economic activities, the unemployment rate is forecasted to stay in the 10.5% to 12% range over the forecast period. (See Table 4 and Figure 15).

FIGURE 15
EDMONTON UNEMPLOYMENT RATE, 1982-1992



III POPULATION FORECASTS

1 Total Population Growth

The City population is expected to increase by approximately 1.15% per year from 571,506 in April 1986 to 612,000 in April 1992 (see Figure 16). The projections by year are as follows:

Edmonton Population
(For April of the Year)

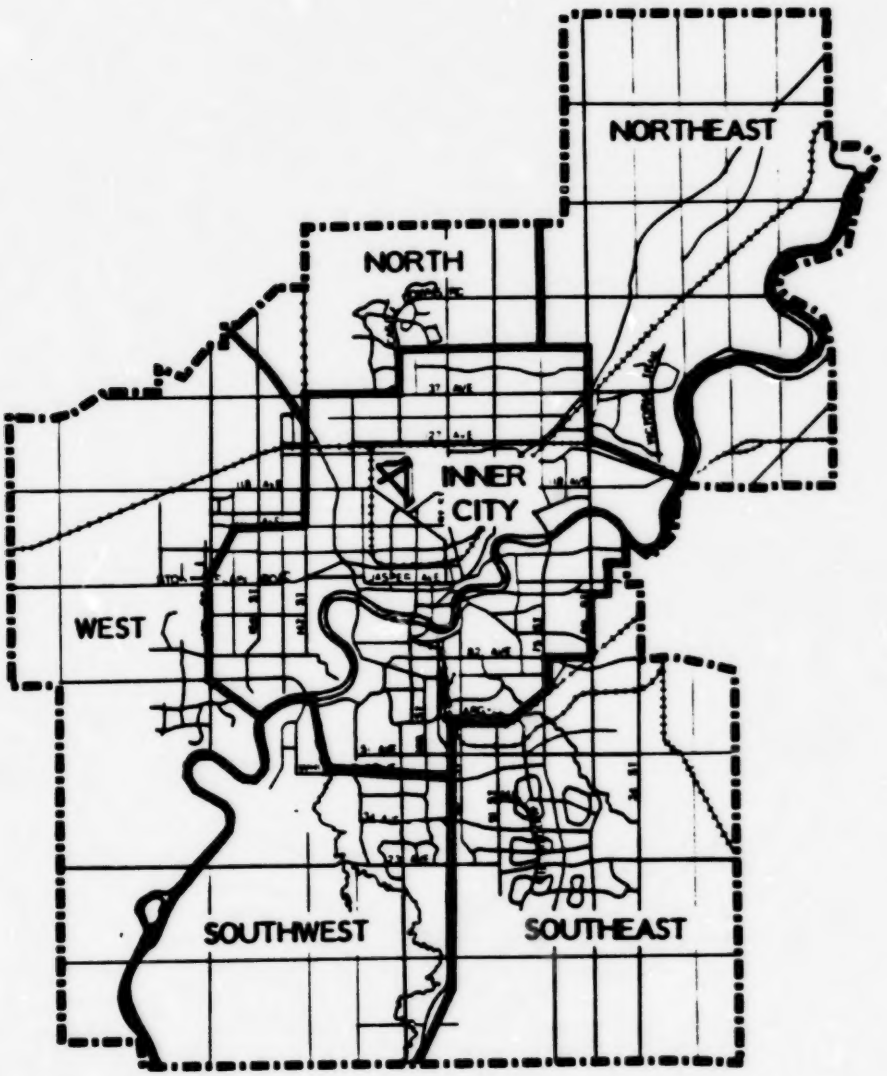
1986 (actual)	571,506
1987	576,000
1988	582,000
1989	588,000
1990	596,000
1991	604,000
1992	612,000

The key assumptions influencing the forecasts are the net migration levels and the rate of natural increase. Net migration is expected to follow a pattern similar to Alberta. Based on the Alberta forecasts, Edmonton net migration and natural increases are forecast to be as follows:

	Net Migration	Natural Increase
	(From Previous Year March	to Current Year April)
1987	-1,600	6,400
1988	-200	6,000
1989	1,000	5,600
1990	2,400	5,300
1991	3,100	4,900
1992	4,300	4,600

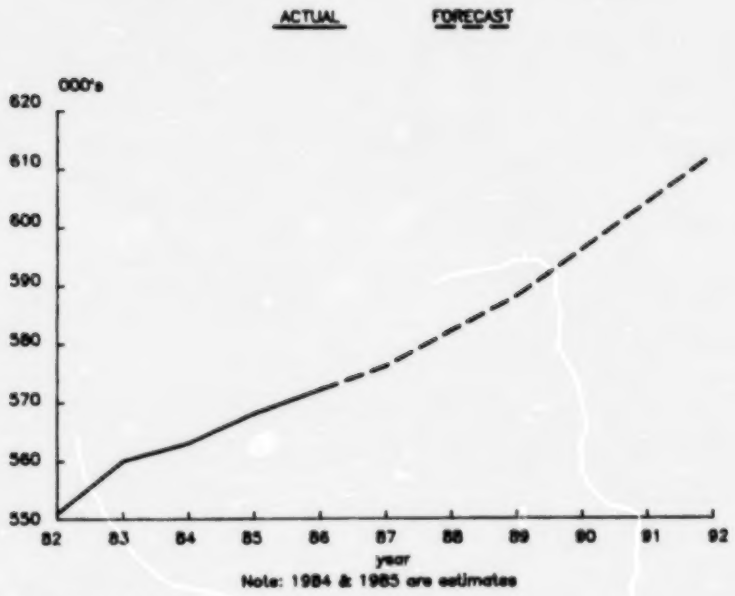
The crude rate of natural increase of the Edmonton population (the number of births less the number of deaths per 1,000 population) is expected to decrease from its present level of 11 per 1,000, down to around 7 per 1,000 in 1992. This fall off in the rate of natural increase is reflected in the present forecast which is based on constant (1982-1984) age-sex specific vital rates throughout the forecast period.

MAP 1 CITY SECTORS



SOURCE: General Municipal Plan Map 5.1

FIGURE 16
EDMONTON POPULATION, 1982–1992



2 Area Distribution

The population distribution of the City is expected to change over 1987 to 1992, with the inner city area losing approximately 13,000 people and the suburban sectors of the city increasing in absolute and relative terms consistent with the shifts from 1980 to 1986. See Map 1 for the sector boundaries.

Edmonton Population Distribution

	1980		1987		1992	
Sector	Pop.	%	Pop.	%	Pop.	%
Inner City	367,000	72.5	344,000	59.7	331,000	54.1
Southeast	40,000	7.9	69,000	12.0	78,000	12.7
Southwest	40,000	7.9	52,000	9.0	64,000	10.5
West	24,000	4.7	45,000	7.8	57,000	9.3
North	19,000	3.8	35,000	6.1	49,000	8.0
Northeast	16,000	3.2	31,000	5.4	33,000	5.4
	506,000	100	576,000	100	612,000	100

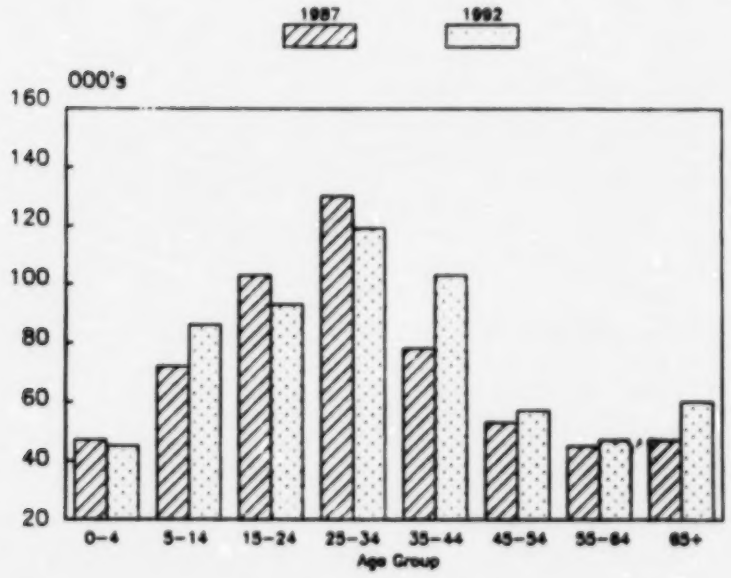
The largest absolute increase is in the North, with high growth rates in the West, North and Southwest sectors. This distribution is influenced by the availability of lots in the North, West and Southwest, the attractiveness of these areas for the move-up housing market and an assessment of developers' intentions.

3 Age Distribution

The most significant feature of the change age distribution is the aging of Edmonton's population, particularly the "baby boomers" and the +65 age groups. Virtually all of Edmonton's population increase will occur in the 35-44 and +65 age groups (see Figure 17). The 35-44 age groups have the largest absolute and percentage increase in the total population, rising from 78,000 persons (14% of the total population) in 1987 to 103,000 (17%) in 1992, with an almost corresponding decline in the 15-34 age group. The number of people in the +65 age group increases continuously from 47,000 persons in 1987 to 60,000 persons in 1992, raising its share from 8.0% in 1986 to 9.8% by 1992.

Even with this general population aging, the population in the young age groups increases in absolute terms. The 0-4 age group declines slightly from 47,000 persons in 1987 to 45,000 persons in 1992, while the 5-14 group increases from 72,000 persons to 86,000 persons by 1992. The 45-54 and 55-64 age groups are relatively stable in percentage terms, with only small absolute increases.

FIGURE 17
EDMONTON POPULATION BY AGE GROUP, 1987&1992



IV DEVELOPMENT ACTIVITY FORECASTS

1 Building Permits

Building permit values in Edmonton grew steadily from 1978 to 1981, reaching a peak of almost $1.2 billion in 1981. By 1984, the annual value of construction dropped to $334 million. However, the trend was reversed and permit values rose significantly to $481 million in 1985 and further to $534 million in 1986. Permits issued for commercial projects were largely responsible for the increased 1986 values. In particular, permits issued for Canada Place, and improvements and alterations to shopping centres and the Fantasyland Hotel, have helped push values above last year's totals.

The forecasts for 1987 and 1988 are significantly influenced by the timing of several major projects which create a high degree of uncertainty. In these circumstances, the recovery in building permit activity is expected to continue, with permits reaching $550 million in 1987, then rising to $580 million in 1988. Over 1987 to 1992, permit values are expected to increase at a rate of approximately 7.6% per year to reach $830 million by 1992 (see Table 6 and Figure 18). However, the forecasts for 1989 to 1992 exclude any significant level of institutional or speculative commercial building. Because of the inherent unpredictability regarding specific projects, no such projects, by year or amount, could be identified in the post 1989 period. The development of these projects could affect building permit values over 1989 to 1992.

FIGURE 18
EDMONTON BUILDING PERMIT VALUES, 1982–92

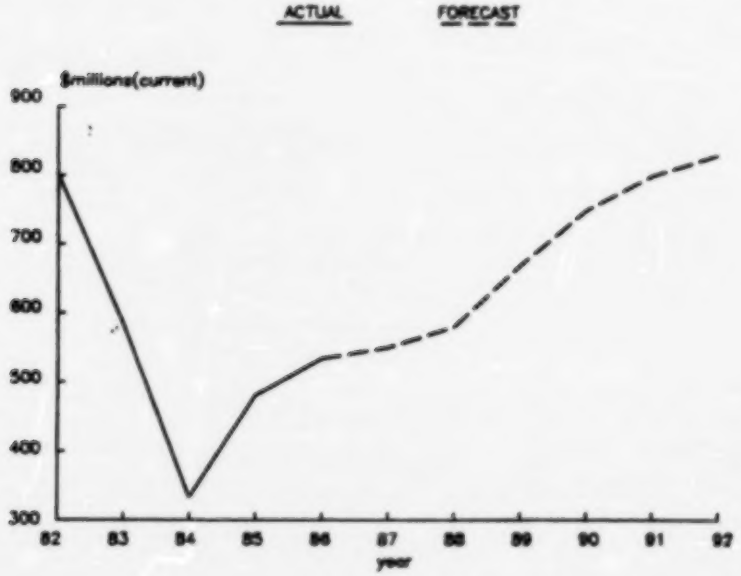
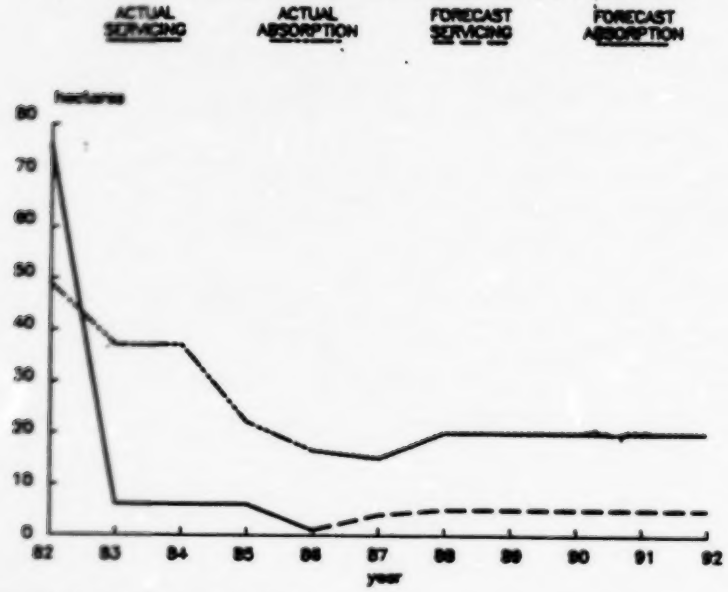


FIGURE 19
EDMONTON INDUSTRIAL LAND ACTIVITY, 1982–92



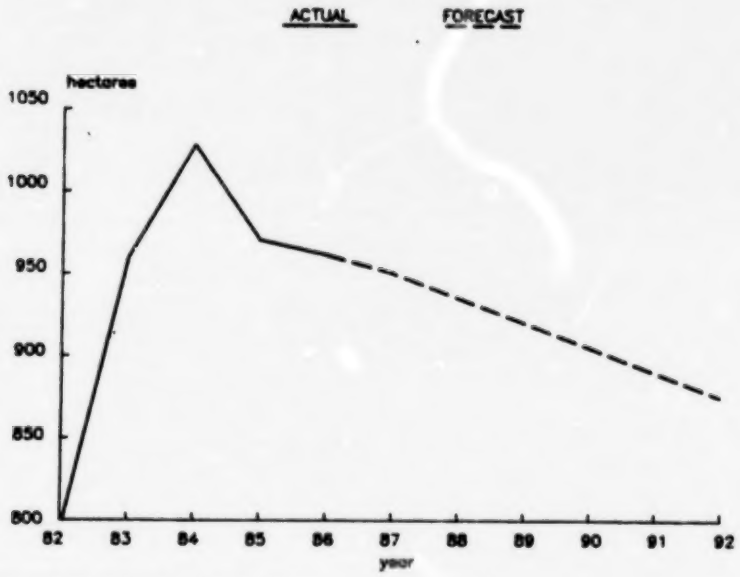
2 Industrial Land Servicing

Over the period 1978 to 1983 the amount of industrial land serviced substantially exceeded the absorption rate, so that by 1983 there was 1,028 ha of vacant serviced industrial land. (Much of the increase in 1982 reflected the inclusion of the serviced land in the annexed areas).

The servicing of industrial land dropped to only 6 ha, 5 ha and 1 ha in 1984, 1985 and 1986, respectively, while absorption was 37 ha, 22 ha and 16 ha in these years.

Servicing in the next few years is expected to be directed primarily to parcels with special location or size characteristics. The level of servicing activity is expected to be 4 ha in 1987 and remain at approximately 5 ha per year over 1988 to 1992 (See Table 7). Absorption is expected to be 15 ha in 1987 and approximately 20 ha per year over 1988 to 1992 (See Figure 19). The large inventory of available serviced land means that a significant increase in absorption could be met even if servicing remained at the forecast low levels (See Figure 20).

FIGURE 20
EDMONTON SERVICED INDUSTRIAL LAND SUPPLY
1982 – 1992

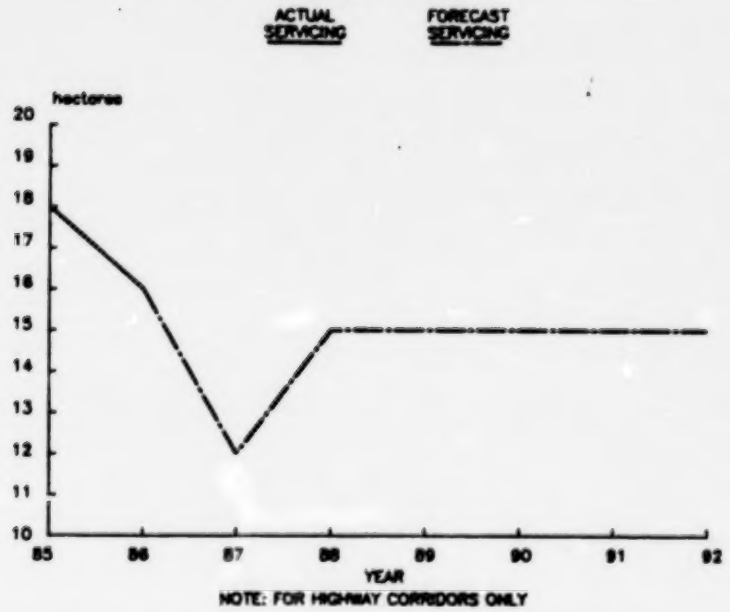


3 Commercial Land Servicing

A significant feature of servicing activity over 1984 to 1986 was the servicing of sites along the major highway/arterial roads. Because this form of servicing is financed under local improvement, similar to industrial land, a forecast of expected servicing of commercial land is provided.

Servicing is expected to be concentrated at sites along the major highway commercial routes (for example, Calgary Trail, Stony Plain Road). The level of servicing activity is forecasted at 12 ha in 1987 and 15 ha per year for 1988 to 1992 as larger sites are serviced for comprehensive development projects. These sites are often developed under a Direct Control 5 District, allowing a potential mix of highway commercial/business industrial uses. The actual uses are assumed to be commercial and for this reason they are included in the commercial servicing activity (see Table 7). Commercial development activity, both servicing and building, is now more significant than industrial development.

FIGURE 21
EDMONTON COMMERCIAL LAND SERVICING
1985 – 1992



4 Residential Land Servicing (Area Structure Plan)

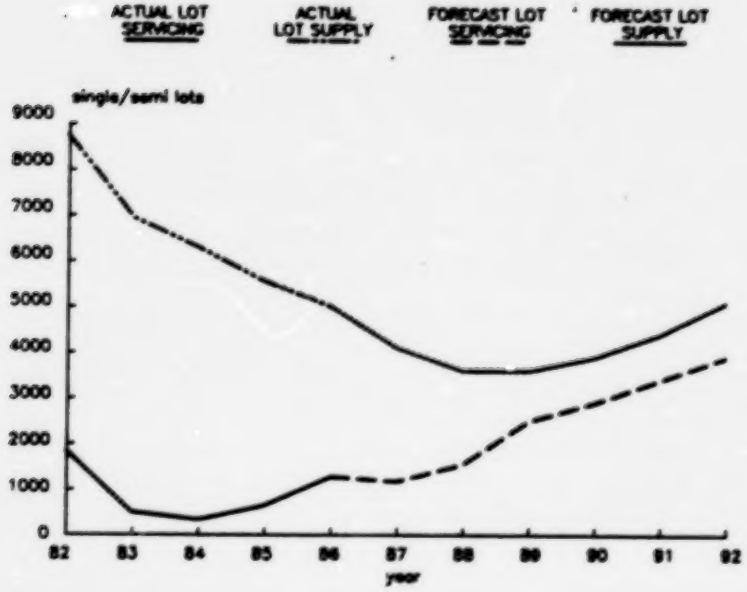
The forecast of residential land servicing in the Area Structure Plans is based on the demand for single family, semi-detached and duplex lots.

Over 1979 to 1982, the servicing of single family lots exceeded the demand, increasing the total number of lots in inventory to 8,763 by the end of 1982. From 1983 to 1986, servicing declined considerably below the absorption of lots and by the end of 1986 the total inventory had dropped to 5,000 single family lots. At current rates of development this would provide 2.75 years of serviced lots.

Servicing activity in 1987 is expected to decrease to 1,175 lots, down from the 1,269 single family lots serviced in 1986 (see Table 8). A slow increase is also expected in 1988 as single family housing starts slowly increase and servicing activity reaches 1,550 lots. By 1989, single family lot inventories will reduce to just over 3,600 lots or 1.4 times the forecasted housing starts. This is considered the minimum level of inventory that can be held without affecting lot choice or prices significantly. In that year, servicing activity is forecast to increase by almost 50% to maintain adequate inventory levels.

It should be noted that if housing start activity remains stable and servicing activity continues to increase gradually, a major increase in servicing activity in 1989 may not be necessary.

FIGURE 22
EDMONTON RESIDENTIAL ACTIVITY (ASP AREAS)
1982 – 1992



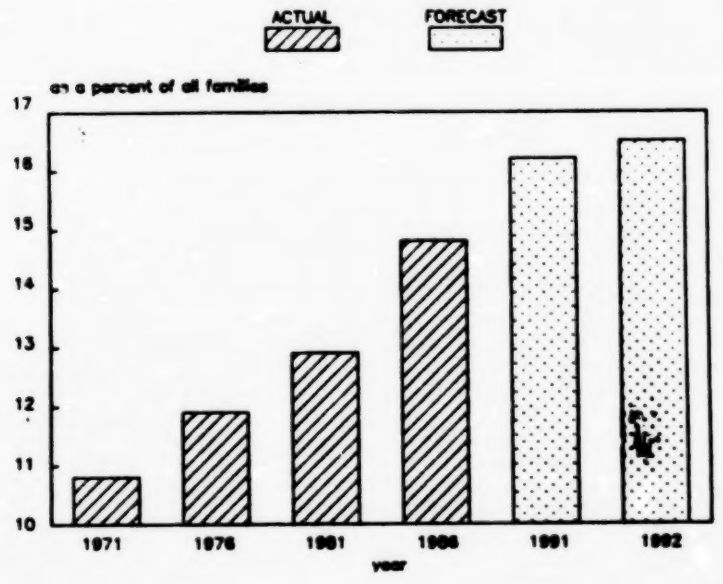
V SOCIAL FORECASTS

1 Single Parent Families

Single parent families in Edmonton increased from 11.9% of all families in 1976 to 12.9% by 1981. The total number of families in Edmonton is projected to increase by 12.3% over 1981 to 1992, but the number of single parent families is expected to increase more rapidly at a rate of 43.9% (See Figure 22). By 1992, one in six Edmonton families are expected to be single parents. In Edmonton, 85% of single parent families are female headed compared to 83% for Canada. Also, 83% of all single parent families had a member in the labour force, usually a parent.

Single parent families exhibit a higher incidence of need for various support services than do two-parent families. A special requirement is for alternate child care arrangements for both pre-school and school age children, permitting the parent to be employed. The need is expected to continue and increase with improving economic conditions.

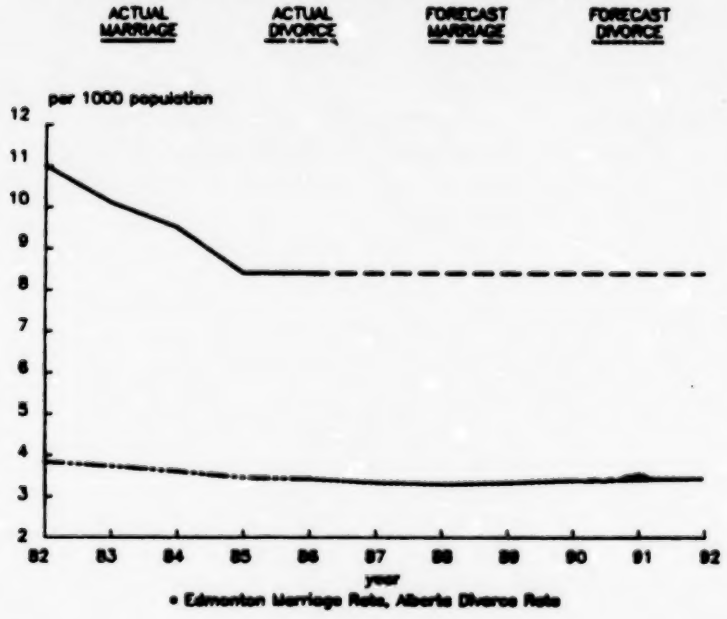
FIGURE 23
EDMONTON SINGLE PARENT FAMILIES



2 Family Formation and Dissolution

Marriages per 1,000 population in Edmonton remained in the neighbourhood of 11.0 over the period 1977 to 1982, but dropped to 9.5 in 1984 and 8.4 in 1985 as a result of the out-migration of population in the 15-34 age groups. Over 1985 to 1986, the marriage rate is expected to remain around 8.5 while it could drop further to the 8.0 range for the period 1987 to 1992 as the population in the 15-34 continues to decline in total numbers (See Figure 24).

FIGURE 24
EDMONTON MARRIAGE AND DIVORCE RATES•



Over 1978 to 1982, Alberta's divorce rate rose continuously from 3.08 per 1,000 population to 3.83 per 1,000 population. Since then, the rate has declined and reached an estimated 3.45 per 1,000 in 1985. This decline is attributed in part to be out-migration of families in the 15-34 age groups. The decline is expected to continue to 3.29 per 1,000 population in 1988 and then slowly rise in subsequent years as improving economic conditions again attract families from other areas. As well, the federal government may be contemplating changes in divorce legislation to broaden the grounds for divorce. In the past, when such changes were implemented the divorce rate rose. An increase in these circumstances would likely be less dramatic than experienced previously because the "pent-up demand" does not appear to be as great.

The high divorce rate and undocumented separations and desertions contribute substantially to the demand for counselling and other social services.

VI CONCLUSIONS

Economic Forecasts

The Alberta economy is expected to have slow economic growth of 1.0% in 1987 and then higher growth of 3% to 4% for the period 1988 to 1992 as energy investment declines in 1987 prices and then gradually increases in 1988. Higher growth of the Alberta economy is dependent on increasing real oil prices.

With the anticipated moderate economic growth, unemployment in Edmonton will decline gradually from 12% in 1987 to 10.5% in 1992. Inflation will remain moderate as economic growth is slow. Average wages, in real dollars, are anticipated to grow at about 0.5% per year.

Population Forecasts

Although the total change in the size of Edmonton's population may be small (an increase of 1.15% per year), significant changes in its composition and location are still expected to occur. The population will age, with growth in the 35-44 and +65 age groups, with movement from the inner city to the suburbs.

Development Activity Forecasts

The pace of development is forecast to be moderate over 1987 to 1992. The existing inventory of vacant buildings and infrastructure will be gradually reduced, with new construction increasing later in the forecast period.

Social Forecasts

Change in the social composition of Edmonton is expected to continue as single parent family formation and the divorce rate increase. These changes will increase at a rate faster than the overall rate of population increase.

TABLE 1

SELECTED ECONOMIC FORECASTS, 1987-1992

	ACTUAL[1]		FORECAST [2]					
	1985	1986	1987	1988	1989	1990	1991	1992
NATIONAL AND ALBERTA								
Economic Growth Rate (%)								
Alberta (GDP)	4.8	-1.0 (e)	1.0	3.03.0	3.5	4.0	3.0	
Canada (GDP)	3.9	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Prime Lending Rate (%)	10.7	10.5	9.5	9.5	9.25	9.0	8.75	8.5
Industrial Selling Prices (Canada)	2.7	0.9	4.3	4.2	4.1	4.2	4.4	4.9
Alberta Net Migration (000)	-8.4	-17.9	-4.0	3.0	8.0	10.0	15.0	15.0
EDMONTON								
Population(000)	568 (e)	572	576	582	588	596	604	612
Unemployment Rate (%)	12.2	11.5	12.0	11.7	11.4	11.1	10.8	10.5
Inflation Rate (%)								
Consumer Prices	3.2	3.3	3.5	3.7	3.8	3.8	3.9	4.3
Average Weekly Earnings ($)	425	428	447	465	484	504	525	551
Vacancy Rate (%)								
Apartment (Oct.)	4.4	4.1	4.8	4.0	3.5	3.0	3.0	3.0
Downtown Office (Dec.)	20.8	18.5	16.4	18.4	16.3	14.3	12.3	10.3
Housing Starts (Units)	1,970	1,910	2,200	2,400	2,800	3,000	3,400	3,700
Building Permits (Current $ Millions)	481	534	550	580	670	750	800	830

SOURCES:

1 Statistics Canada, Alberta Bureau of Statistics, Bank of Canada, Canada Mortgage and Housing Corporation, Colliers Macaulay Nicolls Inc., and Edmonton Planning and Building Department

2 City Forecast Committee, June, 1987

(e) Estimate

TABLE 2
Major Planned Projects in Edmonton
(Projects Exceeding $1 Million in Construction Costs)

Project	Estimated Costs[1] ($Millions)
Manulife Phase II	$100
Eatons Centre Phases I & II	90
Downtown Bay Store Renovation	60
Kingsway Garden Mall Bay Store	50
Olympia & York Building	50
Glenrose Auxiliary Hospital	35
Canada Place	25
Northlands Coliseum Addition	25
Macdonald Hotel	20
South LRT	17
Water Reservoir & Treatment Plant	13
Misericordia Hospital Upgrading	10
Edmonton Centre Addition	6
Mill Woods Town Centre	5
Jasper Place Twin Arenas	4.5
Abby Road Housing Co-op	3
Victory Christian Centre Phase I	2

NOTE:

(1) For initial costs or costs of remaining phases.

SOURCES:

Planning and Building Department, List of Projects Estimated for 1987 and Beyond, January, 1987.

TABLE 3

Edmonton CMA Prices and Wages

	Consumer Prices		Industry Selling Prices - Canada		Average Weekly Earnings	
Actual[1]	Index	% Increase	Index	% Increase	Dollars	% Increase
	(1981=100)		(1971=100)			
1982	100.8	10.8	288.8	6.0	399.8	10.0
1983	117.2	5.8	298.8	3.5	409.8	2.5
1984	120.4	2.7	310.9	4.0	414.7	1.2
1985	124.2	3.2	319.2	2.7	425.1	2.6
1986	128.3	3.3	322	0.9	428	1.0
Forecast[2]						
1987	132.8	3.5	336.3	4.3	447.4	4.2
1988	137.7	3.7	350.4	4.2	465.3	4.0
1989	143.0	3.8	364.8	4.1	483.5	3.9
1990	148.4	3.8	380.1	4.2	503.5	4.1
1991	154.2	3.9	396.8	4.4	525.4	4.4
1992	160.8	4.3	416.2	4.9	551.2	4.9

SOURCES:

1 Alberta Bureau of Statistics, Alberta Statistical Review, Third Quarter 1986; Statistics Canada, Construction Prices; Statistics Canada, Industry Prices Index, December, 1986.

2 Planning and Building Department, June, 1987.

TABLE 4

Edmonton CMA Labour Force Characteristics

Actual[1]	Population Aged 15+	Total Labour Force (000's)	Employment (000's)	Participation Rate (%)	Unemployment Rate (%)
1982	518	377	347	72.8	8.0
1983	528	377	332	71.4	12.1
1984	523	381	328	72.9	14.1
1985	552	397	349	72.0	12.2
1986	563	403	357	71.6	11.5
Forecast[2]					
1987	569	409	360	71.9	12.0
1988	578	417	368	72.1	11.7
1989	588	426	377	72.4	11.4
1990	601	436	388	72.5	11.1
1991	615	447	399	72.7	10.8
1992	629	459	411	73.0	10.5

SOURCES:

1 Alberta Bureau of Statistics, Alberta Statistical Review, Third Quarter, 1986
2 Planning and Building Department, February, 1987.

TABLE 5

City of Edmonton
Projected Population by Age Groups

AGE GROUP	Actual 1986	1987	1988	1989	1990	1991	1992
0-4	46,000	47,000	47,000	47,000	47,000	46,000	45,000
5-9	37,000	38,000	40,000	42,000	44,000	45,000	46,000
10-14	33,000	34,000	34,000	36,000	37,000	39,000	40,000
15-19	41,000	38,000	37,000	36,000	35,000	35,000	37,000
20-24	68,000	65,000	63,000	60,000	59,000	58,000	57,000
25-29	72,000	70,000	68,000	65,000	62,000	59,000	56,000
30-34	57,000	60,000	62,000	63,000	64,000	60,000	63,000
35-39	43,000	45,000	47,000	49,000	51,000	54,000	56,000
40-44	32,000	33,000	35,000	37,000	41,000	44,000	46,000
45-49	27,000	27,000	28,000	28,000	28,000	28,000	30,000
50-54	26,000	26,000	25,000	26,000	26,000	27,000	28,000
55-59	24,000	24,000	24,000	24,000	23,000	22,000	23,000
60-64	21,000	21,000	22,000	23,000	24,000	25,000	25,000
65-69	16,000	17,000	18,000	19,000	20,000	20,000	21,000
70+	29,000	31,000	32,000	33,000	35,000	37,000	39,000
TOTAL	572,000	576,000	582,000	588,000	596,000	604,000	612,000

SOURCE: Planning and Building Department, February, 1987 (Rounded to nearest 1000).

TABLE 6

Edmonton Building Permit Values

	Total ($000,000)
Actual[1]	
1986	$534
Forecast[2]	
1987	$550
1988	$580
1989	$670
1990	$750
1991	$800
1992	$830

SOURCES:

1 Planning and Building Department, January, 1987.
2 Planning and Building Department, January, 1987.

TABLE 7

Edmonton Industrial and Commercial Land Servicing

	Industrial	Commercial	Total
Actual[1]	(ha)	(ha)	(ha)
1986	1	16	17
Forecast[2]			
1987	4	12	16
1988-92[3] (per year)	5	15	20

SOURCES:

1 Planning and Building Department, January, 1987.

2 Planning and Building Department, January, 1987.

3 Assumes 20 ha serviced per year, distributed as 75% commercial, 25% industrial.

TABLE 8

Edmonton 1987 Single Family

Residential Land Servicing - Privately Owned Land

Area Structure Plan	Forecasted* Units[1]
Riverbend	160
West Jasper Place	560
Meadows	120
Palisades	60
Kaskitayo	120
Lake District	95
Steele Heights	60
	1,175

*Not include 100 resubdivision lots

SOURCE:

1 Planning and Building Department, May, 1987

TABLE 9

Edmonton Forecasted 1987-1992 Single Family

Residential Servicing Activity[1]

	ASP Single/Semi Housing Starts	ASP Single/Semi Lots Serviced[3]	ASP Single/Semi Serviced Lot Supply (rounded)[2]
Actual			
1986	1,813	1,269	5,000
Forecast			
1987	2,100	1,175	4,100
1988	2,200	1,550	3,600
1989	2,500	2,500	3,600
1990	2,600	2,900	3,900
1991	2,900	3,400	4,400
1992	3,200	3,900	5,100

SOURCES:

1 Planning and Building Department, May, 1987.

2 Servicing activity is assumed to maintain a minimum 1.4 year inventory.

3 Lots serviced are the number of lots covered by completed servicing agreements. These numbers may not correspond to the actual number of lots physically serviced in ASP areas for the year indicated.

DEFINITIONS

Consumer Price Index

A price index which measures the percentage change through time of a constant quantity and quality of goods and services purchased by a representative Canadian urban family in a specified time period. This index is a widely accepted yardstick for measuring changes through time in the purchasing power of the consumer dollar.

Industry Selling Price Index

A price index which measures the movements of prices of gross shipments of approximately 110 manufacturing industries. This index is useful for analysis of price movements, for estimation of constant dollar value of shipments, and for purposes of constant escalations.

Gross Domestic Product

Total value of production within a given geographical area for a specific time period.

Gross National Product

Equals the Gross Domestic Product plus investment income received from non-residents minus investment income paid to non-residents.

Personal Income Per Capita

Equals to total personal income divided by total population. Personal income includes all forms of income received by persons and unincorporated businesses.

Nominal Interest Rate

Actual level of interest rate.

Real Interest Rate

Equals the nominal interest rate minus inflation rate.

Participation Rate

Equals the labour force as a percentage of population 15 years of age and over.

Prime Lending Rate

An interest rate charged by chartered banks to their most credit-worthy borrowers.

Apartment Vacancy Rate

A vacancy rate for all new and old apartment stocks with six and more units in the Edmonton Metropolitan Area.

Downtown Office Space Vacancy Rate

A vacancy rate for all classes of office buildings in Edmonton downtown core bounded by 109 Street on the west, 97 Street on the east, 104 Avenue on the north, and the North Saskatchewan Ravine to the south.